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SUBJECT: SLOVENIA: CABINET RESHUFFLE LEADS TO NEW  
MINISTERS OF ECONOMY, EUROPEAN AFFAIRS, JUSTICE,  
AGRICULTURE, AND TRANSPORTATION

REF: A) LJUBLJANA 292  
B) LJUBLJANA 333 AND PREVIOUS

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accordingly.

1. (SBU) SUMMARY: On 20 April, five new ministers were sworn in as "caretakers" for the remainder of the year. The new ministers include three professors: Matek Lahovnik, Minister of Economy, Marko Pavliha, Minister of Transport, and Milan Pogancnik, Minister of Agriculture, and two technocrats, Milan Cvikl, a bank executive and Zdenka Cerar, General State Prosecutor, as Minister for European Affairs and Justice, respectively. [NOTE: Biographic information provided starting on paragraph 5. END NOTE]. We do not anticipate any substantive policy changes as the major political parties prepare for parliamentary elections to take place in the fall. The government will focus its efforts on a smooth transition into the EU. However, intra-party quarrels such as FoMin Rupel's criticism of Cerar to lead the Justice Ministry preview an electoral campaign where party leadership will be challenged -- ushering in a new cadre of leaders. END SUMMARY.

2. (U) It was not until the early hours of 20 April, that the National Assembly approved the five nominations (presented as a package) with 51 parliamentarians voting in favor, and 25 against. The approval was never in question, as the ruling coalition had secured enough votes. The anticipated cabinet changes to replace departing Ministers for European Affairs, Janez Potocnik (Slovenia's EU Commissioner designate) and of the Economy, Tea Petrin (slated to become Slovenia's Ambassador to the Netherlands) turned into a full cabinet reshuffle as Slovenian People's Party (SLS) ministers stepped down after the ruling coalition decided to expel it from the decision making process. The power play was prompted by SLS support, albeit tepid, of the opposition's attempt to remove both the Ministers of Health and Interior (ref A).

3. (U) The reshuffling, however, took an interesting turn when FoMin Rupel sent a letter to Parliament criticizing the Government's decision to appoint Zdenka Cerar as Minister of Justice. In the letter, Rupel claimed that Cerar's appointment was a defeat to "European principles of justice." [NOTE: Some in the media speculate that Cerar's decision to investigate and to press charges against Rupel over the opening of a Diplomatic Academy prompted the FoMin's comments (ref B), where other sources observe that he is positioning himself as someone who could also work under a new opposition-led government, particularly now as some polls indicate the Social Democrat Party (SDS) leading the ruling LDS Party. END NOTE]. With the exception of Mr. Lahovnik, whose credentials have been challenged by some business executives and criticized by the media over comments he made during the nomination process, the other nominees have received positive assessments. The new ministers assumed their duties immediately. Senior ministry officials (State Secretaries) will submit their resignations, though no major changes are anticipated.

4. (SBU) COMMENT: With elections coming in less than six months, the new ministers will be asked to "hold down the fort" until a new government is convened later this year. The current interplay among the various party factions will determine the type of government, and the possible alliances that will be required to establish a coalition strong enough to survive. The inner LDS struggles -- highlighted by Rupel's comments against Cerar's appointment -- have sent a strong signal that the elections are wide-open this year. The intra-party squabbles are not limited to LDS, however. The opposition parties are also trying to define their

own platforms, thus confounding their own aspirations.  
END COMMENT.

**15. (SBU) START BIOGRAPHIC NOTES ON NEW MINISTERS:**

**MILAN M. CVIKL, Minister of European Affairs**

Milan Cvikl was born on 20 March 1959, in the

coalmining town of Velenje (north-central Slovenia). He received a Bachelors degree in Economics from the University of Ljubljana in 1983. Six years later he earned a Master's degree in Economic Analysis and Planning. He studied in Canada and the U.S. for a few months in 1983. Cvikl was the recipient of a government sponsored academic scholarship for "talented students." [NOTE: Active work in the Socialist Youth Organization was a precondition to receive this scholarship].

Cvikl joined the Bank of Slovenia immediately after completing his Bachelors degree. Known for his hard work and assertiveness, he soon became deputy director of the Central Bank's Analysis and Research Center. In 1990, he joined a group of experts drafting monetary legislation as Slovenia was seeking independence.

In 1990, Slovenia's first Prime Minister Lojze Peterle offered him the Finance portfolio. He rejected the offer because he did not feel the position was "politically safe." In the 1990's, Cvikl worked for Slovenia's largest commercial bank, Nova Ljubljanska Banka (NLB), the World Bank, and the Ministry of Finance. At the World Bank, Cvikl worked on several World Bank projects related to central and southeastern Europe. Starting in 1998 through 2000, Cvikl served as a State Secretary for Budget and Public Finance at the Ministry of Finance. He was one of principal drafters of the public procurement legislation.

Cvikl returned to NLB in 2000 as Assistant Executive Director, heading the Financial Management and Support Department. In 2001, he became NLB's Chief Financial Officer, but failed to join the board of directors in 2002 when Belgium's KBC Group acquired 34% of NLB. Cvikl has often lectured at the Center of Excellence in Finance (CFC) in Ljubljana.

Cvikl is fluent in English and Serbo-Croatian, and has a passive knowledge of German. He is married and has two children.

**MATEJ LAHOVNIK, Minister of Economy**

Lahovnik is 32 years old. He received a Bachelors degree in Economics from the University of Ljubljana in 1994. In 1998 he received his Master's degree in Business Finance. Lahovnik completed his PhD in Business Administration, Management and Organization at the University of Ljubljana in 2000.

Lahovnik has been employed at the Faculty of Economics of Ljubljana University since 1993. He has been a visiting researcher at Indiana University's Kelley Business School, specializing in strategic management. Lahovnik currently chairs the Business Administration, Management and Organization Department at the Faculty of Economics.

Lahovnik is young and has no prior business experience. Although Slovenian business executives have declined to make official comments about his nomination, some have informally expressed concerns over his ability (or lack thereof) to deal effectively with the country's economic realities. Lahovnik wrote a study on management buy-out for BTC, a leading real estate company. Over the past twelve months, BTC has been the focus of intense media scrutiny over its business ethics conduct. Addressing his detractors, Lahovnik explained that he worked on only one phase of the business operation.

Lahovnik was a minor owner of defunct and bankrupt SIB Bank. He sold his bank's shares in 2001, two years prior to the outbreak of the SIB financial scandal. He has been a frequent speaker at business events and contributor to the leading financial newspaper, Finance. In his articles, he has supported the listing of state companies like Telekom Slovenia at the Stock Exchange; establishing the second financial pillar; developing comprehensive tax reform shifting the burden away from the middle class; and reducing labor costs.

Lahovnik has indicated that as Minister, he would like

to focus his efforts on two issues: increasing FDI inflows, and enhancing companies' competitiveness abroad.

Lahovnik is not married. He is fluent in English and German.

#### MARKO PAVLIHA, Minister of Transport

Pavliha was born on 15 December 1962 in Ljubljana. He received his Bachelors degree in Law in 1986 from the University of Ljubljana. He obtained his Master's degree from University of Split, Croatia, and McGill University in Canada. He completed his PhD on Implied Terms of Voyage Charters in 1991 at McGill University. He passed the Slovenian Bar Examination in 1993.

Pavliha was a research assistant at McGill University from 1989 through 1992. In 1993 he became an Assistant Professor of Transport and Insurance Law at the University of Ljubljana. In 1999 he was promoted to Associate Professor. Since 1999, he has spent time as a visiting professor at the University of Split, Australia's Queensland University, Belgium's Catholic University, and at the International Maritime Institute in Malta. In 2004, Pavliha was promoted to Senior Professor of Commercial, Transport and Insurance Law at the University of Ljubljana.

In 2003, Pavliha was elected one of Ten Most Influential Slovenian Lawyers, for the second time. He has received several awards at home and abroad. He was actively involved in preparing significant Slovenian legislation dealing with infrastructure, natural disasters, civil aviation, nuclear damage, insurance, and maritime issues.

Pavliha is married and has two children. He is a permanent English and French court interpreter. He is also fluent in Croatian and German, and has passive knowledge of Italian.

#### MILAN POGACNIK, Minister of Agriculture

Milan Pogacnik was born in 1946. He received a Bachelors degree from the University of Ljubljana in 1971. He obtained his PhD in Pathologic Morphology at the University of Ljubljana.

Pogacnik started his professional career at the Faculty of Veterinary at the University of Ljubljana as Assistant Professor. He was promoted to university professor in 1985. In 1989, he became a head of Institute of Pathology and Forensic Veterinary. In 1990 he became a Dean of Faculty of Veterinary at the University of Ljubljana.

Pogacnik is a respected scientist, researcher and policy worker in the field of veterinary and agriculture in general. His contribution in preparing Slovenian legislation on veterinary and cattle breeding before and after country's independence has been significant.

After accession to the EU, he anticipates that the most protected agricultural sectors, such as diary producers, will face serious challenges. He is aware of his limitations, "I cannot solve all problems in the remaining six months," but indicated that he will work diligently to identify existing and potential bottlenecks affecting Slovenian agriculture.

Pogacnik received the National Order of Highest Rank in 2000.

He is married and has two children. He is fluent in German and English.

#### ZDENKA CERAR, Minister of Justice

Cerar was born on 17 September 1941 in Ljubljana, where she completed her school studies. After graduating from the Faculty of Law, she worked as a law clerk for

Ljubljana District Court. She passed the state bar examination in February 1969.

In October 1969 she was appointed deputy municipal public prosecutor in Ljubljana and has worked as a prosecutor since that time. From 01 March 1969 to 30 September 1969, she was employed in the legal affairs section of the Republic Secretariat for Finance, handling appeals.

In 1974, she was appointed deputy district public prosecutor in Ljubljana. Following the reorganization of the judiciary, she was appointed deputy public prosecutor in Ljubljana and head of the General Crime Division in January 1979. She held this position until January 1981, when she was appointed deputy High Prosecutor. After a second reorganization, she was appointed as High State Prosecutor (January 1995 to September 1995). Following a successful candidature under the new State Prosecutor Act, she became Supreme State Prosecutor on 20 September 1995.

In 1999, the National Assembly appointed Cerar General State Prosecutor. During her five-year period as a deputy municipal public prosecutor in Ljubljana, she was also head of the juvenile division and was actively involved in this field in other institutions.

She is married and has three children. She was a member of the national gymnastics team, and a coach and referee after she ended her career. She was also one of the co-founders of the Lawyer sports club in which she has been active as an official and sportswoman for over 20 years.

Cerar received the National Silver Star Order of Merit in 1984.

END BIOGRAPHIC NOTES

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